



Health Benefit Recommendations for Alaskan Employers

During 2014 the Alaska HR Leadership Network, a coalition of Human Resources Directors of large employers working together to address common concerns regarding high and rising health care costs, requested information and assistance from the Alaska Health Care Commission. One request made by the Leadership Network was for a “Top 10” list of recommendations for employers for addressing health benefit cost concerns. Following are the recommendations provided by the Commission.

Top 10 Recommendations for Employers

- 1. Identify the business case for improving employee health and health plan design.**
 - Effective health benefit strategies can reduce health risks and improve quality of life for employees, while lowering health care and Workers’ Compensation costs for the employer.
 - These strategies can also reduce indirect employer costs related to absenteeism, productivity, recruitment and retention, employee morale, customer satisfaction, and corporate image.
 - CEOs should be intentional and actively engaged in assuring creation of a health benefits strategy for their company. Begin with a broad vision of employee health and health plan value.
- 2. Take a two-pronged, integrated approach to developing a health benefits strategy:**
 - I. Employee Wellness:** Incentivize and support employees to take responsibility for their own health and health care (see Employee Wellness Recommendations, page 3)
 - II. Health Plan Design:** Incentivize value in health care delivery through the design of your employee health plan (see Health Plan Design Recommendations, page 4)
- 3. Engage your employees.**
 - a. Communicate:
 - Corporate commitment to their health and wellbeing
 - Information regarding health plan design, and any changes in the design
 - The value of their health benefit, e.g., provide total compensation or total benefit statements that reflect the cost of health insurance premiums and other health benefits
 - b. Involve them in planning worksite wellness and new health plan design features.
 - c. Support them to be wise health care consumers
 - Provide them with information on health care provider prices and quality.
 - Educate them on issues related to overuse of medical services, and provide easy access to information from reliable sources on the value of various medical tests and treatments.
 - Structure employee and dependent health benefits in a way that aligns the interests of the employee and the employer.
- 4. Collaborate with other employers.**
 - a. Share learning opportunities and best practices regarding
 - Employee wellness program design
 - Value-based health insurance plan design
 - b. Align purchasing strategies to drive increased value in Alaska’s health care system.
 - c. Coordinate efforts to collaborate with local health care providers on Alaska health care market transformation strategies.
 - d. Collaborate with other partners on community health improvement efforts.

5. Develop the 5 main elements of effective employee health programs:

- Evidence-Based Medicine (see Health Plan Design Recommendations below)
- Price & Quality Sensitivity (see Health Plan Design Recommendations below)
- Price & Quality Transparency (see Health Plan Design Recommendations below)
- Proactive Primary Care (see Health Plan Design Recommendations below)
- Healthy Lifestyle Support (see Employee Wellness Recommendations below)

6. Incorporate data-driven decision-making and actively manage your health care dollars.

- a. Incorporate language in your 3rd Party Administrator (TPA) contract that assures you access to data on utilization and cost of services provided under your health plan.
- b. Assess health improvement opportunities through continuous data-driven evidence-based medicine analyses to monitor for gaps in care for individuals and to stratify populations by risk and “impactability” through predictive modeling.
- c. Identify trends early and address them before they become major cost drivers.
- d. Uncover hidden cost drivers that can address the root cause of a problem.

7. Learn about health care market dynamics. Use your power as an important purchaser of health care to begin exploring consumerism, and appreciate hospitals’ and physicians’ power in shaping opinions and practices in local markets.

- a. Understand and appreciate the reality that health care costs consume approximately 20% of our State’s economy and that this impacts on all other segments of our economy.
- b. Learn the basics of health care economics, financing, cost shifting, and the influence of public insurance programs (i.e., Medicare and Medicaid) on the health care market.
- c. Learn how public policy at the State and federal level influences the health care market.
- d. All health care markets are local. Understand how and where health services are delivered and by which providers in each community where you have employees. Certain strategies, such as narrow networks, won’t necessarily work in small rural communities with one clinic or hospital, but other strategies will be applicable.
- e. While the status quo can no longer be sustained, recognize the value and importance of local health care providers in your community, and the incredible pressures they are under to respond to a rapidly changing health care business environment.

8. Collaborate with Providers to Transform the Health Care Market

- a. Develop network strategies to improve access to contracting providers
- b. Address egregious charges for high volume procedures
- c. Investigate Centers of Excellence for high-end procedures
 - Large self-insured employers: Identify top quality national and international medical centers for high-cost procedures based on severity-adjusted quality outcome metrics, then negotiate contracts directly with these centers.
 - Smaller employers: Work with health care firms that specialize in facilitating access to Centers of Excellence and/or complex case management.
- d. Support development of new coordinated care models:
 - Patient-Centered Medical Homes
 - Procedure-based integration through bundled payments

9. Participate in the public policy process to improve State health policy. Work with the Alaska Health Care Commission to identify and learn how to support needed improvements in State health policy, for example:

- a. Reform of the Alaska Workers’ Compensation Act to modernize medical claims management.
- b. Revision of regulations that create market power imbalance in the health care market.
- c. Enactment of policies to increase price and quality transparency.
- d. Development of data to assist with understanding cost, utilization, and population health.

10. Know your obligations under the federal health care reform law.

- a. Large employers are no doubt relying on their health benefit consultants and/or TPAs to learn about and respond to new employer requirements under the Affordable Care Act.
- b. Small employers may look to insurers or insurance brokers, tax advisors, state and national business associations, and/or federal information sources designed for employers to stay current.
- c. Examples of federal websites designed for providing employers with information regarding their obligations under the Affordable Care Act include:
 - Small Business Administration: www.sba.gov/healthcare
 - U.S. Department of Labor: www.dol.gov/ebsa/healthreform
 - Internal Revenue Service: www.irs.gov/uac/Affordable-Care-Act-Tax-Provisions-for-Employers
- d. Do not rely on the popular media or organizations that do not have expertise in employment issues and federal policy for this information.

I. Employee Wellness Program Recommendations

75% of all health care costs are due to chronic conditions, such as diabetes and heart disease, which are largely preventable. Employees spend more than a third of their day, five days a week, at their workplace. While employers have a responsibility to provide a safe workplace, they also have significant opportunities to foster a healthy work environment.

Use of effective workplace programs and policies can reduce health risks and improve quality of life for employees, and also lower direct costs to the employer such as insurance premiums and worker's compensation claims. They can also positively impact indirect costs such as absenteeism, productivity, recruitment and retention, employee morale, and customer satisfaction.

- A. Create a culture of health and wellness.** A corporate culture of health establishes a workplace where employee health and safety is valued, supported and promoted through workplace health policies, programs, benefits, and environmental supports that make healthy and safe choices the easiest choices.
- B. Provide supportive environments where safety is ensured and health emerges.** Integrate strategies for protecting employees from exposure to health and safety hazards in their work environment with workplace health promotion strategies that advance employee health and well-being.
- C. Provide opportunities for employees to engage in a variety of workplace health programs.** These might include, for example:
 - Access to local fitness facilities
 - Health coaching services
 - Weight-management programs such as Weight Watchers®
 - Stress management workshops
 - Company policies that promote healthy behaviors, such as a tobacco-free campus policy, and flexible work schedules that accommodate physical activity programs
 - Provision of healthy food options in vending machines and cafeterias
- D. Work with your 3rd Party Administrator or insurer on an integrated approach to wellness program and health plan design.**

II. Health Plan Design Recommendations

Large employers: Implementing the following strategies may require multiple vendors, or an integrated multi-faceted approach through a single 3rd-party administrator or large group insurer.

Small employers: Work with your group health insurer/broker to incorporate elements described below in the design of your health insurance plan.

All employers: Keep it simple, start small, phase in changes in plan design, and build programs based on what works. Collaborate with other employers to share learning opportunities and align strategies. Work with employees, unions, and health care providers to design and implement change.

A. Apply evidence-based medicine in health benefit design and precertification.

- i. Support employees to be informed consumers of health care by helping them to understand and apply information regarding problems associated with overuse of medical services and effectiveness of various testing and treatment options. One tool available to assist employers with this effort is the Choosing Wisely® Employer Toolkit, jointly produced by the National Business Coalition on Health, the Pacific Business Group on Health, Consumer Reports, and the foundation that sponsors the Choosing Wisely® campaign working with physician specialty groups to identify overused medical tests and treatments. The employer toolkit is available at: <http://www.nbch.org/Employer-Materials>
- ii. Work with your 3rd party administrator on strengthening the incorporation of evidence-based medicine in precertification lists and other plan design strategies, such as tiered formularies.

B. Increase plan member sensitivity to price and quality. Adopt health plan options that introduce elements of consumerism, encouraging employees to shop for non-emergent health care like they do other services and to treat health care dollars as if they were their own. When adopting this approach it is essential that plan members be provided access to price and quality information on individual providers, as well as other decision-support tools (see “Plan Member Support” below).

- **Consumer-Driven Health Plans (CDHPs).** These plans are designed to give members more ownership of their health care dollars and more freedom to choose how they spend them. CDHPs typically have high deductibles associated with an employer-supported Health Savings Account.
- **Steerage.** Steerage programs identify preferred providers based on price and quality for certain services, such as hospital or imaging services, and direct plan members to the preferred providers through variable co-payment levels designed to incentivize these choices.
- **Generic Pharmaceuticals and Tiered Formularies.** Incentivizing the use of medically appropriate generic drugs over their branded counterparts can produce significant cost savings. Incentive-based formularies categorize drugs into three or four tiers based on generic-versus-branded groupings and established medical effectiveness, charging lower co-pays for generic and preferred drugs.
- **Reference-Based Pricing.** This approach sets a standard price the employer will pay for certain procedures for which plan members have options of providers offering that procedure, requiring the plan member to pay the difference when selecting a provider priced above the reference price. Some programs share savings with plan members who select a below-reference price provider.
 - This approach must:
 - include clear communication to plan members regarding how it works
 - only be used in communities and for procedures for which plan members will have multiple options
 - provide accurate and complete information on costs and quality of provider options

- This approach may open the patient up to greater financial risk, which could be minimized by pairing it with bundled pricing. Alaskan employers interested in attempting this strategy would benefit from collaborating with other employers, insurers/TPAs and providers to pilot test a limited number of procedures.
 - **Plan Member Support.** When exposing plan members to greater price sensitivity it is essential they also be provided with the information they need to be engaged consumers. They need education to help them understand the value equation in health care, including the lack of correlation between price and quality (i.e., more expensive care doesn't mean better care), why their own out-of-pocket costs and the full costs of their care both matter, and problems associated with overutilization of unneeded care and how to identify lower-cost options. They need a user-friendly tool that provides price and quality data, ideally including information on their out-of-pocket costs. Symptom evaluation tools, evidence-based medicine guides designed for patients, and concierge services that provide a single-point of contact to help members navigate their health care experience can also be helpful.
- C. Increase Price & Quality Transparency.** As noted above, price and quality sensitivity will only work to increase value if plan members have the information and tools they need to be informed shoppers.
- i. **Provide informational tools for your plan members.** A variety of health care transparency tools have emerged and are evolving to assist patients with understanding the cost and quality of their care options. Most major insurers and a growing number of independent vendors now offer some form of a transparency solution in a variety of forms — from web-based and smart phone apps to call-in service lines.
 - ii. **Push providers and insurers** to make price and quality data public, and to eliminate contractual restrictions (i.e., “gag clauses”) that prevent them from sharing price information.
 - iii. **Advocate for State Transparency Laws.** While private sector vendors and health plans are evolving to make prices more available to consumers there are still large gaps. State legislatures can play an important role in ensuring consumers access to quality and price information through statutory requirements. The majority of states have some form of such legislation on the books. Alaska currently does not.
- D. Improve access to primary care, care coordination and case management.**
- i. Require plan members to identify their primary care provider to your 3rd-party administrator or insurer, and require your TPA/insurer to collect this information.
 - ii. Investigate the use of on-site or easily accessible primary care clinic services to provide plan members with free or reduced cost access to primary care.
 - iii. Collaborate with other large employers to investigate retail clinic opportunities. Look at national chains with stores in Alaska that offer retail clinics in other states, and engage them in discussion about opportunity for retail clinic development in Alaska.
 - iv. Provide disease management services for plan members with chronic conditions, and complex case management for high-risk, high-cost plan members.
 - v. Collaborate with your TPA/insurer and health care providers in your community to develop new coordinated care models, such as Patient-Centered Medical Homes and procedure-based service integration through payment bundling.